

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Current Interest Items

1. Payment of Overseas Medical Claims by Insurance Carrier

We have explored further our proposal that overseas medical claims be referred first to our insurance program for payment and second for payment under our statutory program. (At present, only those claims which cannot be approved under the statutory program are referred to the Insurance Branch for payment of any residual items which can be covered.)

This possibility has been informally reviewed with Mr. Raddock, Chief of CSC's Bureau of Retirement and Insurance, to determine whether such a change would be improper under the Federal Employees Health Benefits Program. Mr. Raddock, while expressing some philosophical reservations, indicated that it was a feasible step to take in light of the realities of the situation and that the Agency could effect this change in its insurance program without obtaining CSC approval.

Our explorations with the Mutual of Omaha representative have been less specific but, with this assurance from CSC, we intend further informal discussion with him. Based on an examination of our claims to premium ratio and past experience in dealing with Mutual, we believe agreement can be reached to drop the present exclusion clause in our master contract. We also believe that this transfer of costs to the insurance carrier will not require a premium increase.

When we have firm indications that this change is practicable, we will submit a proposal for policy approval before any commitments are made. Our tentative proposal is to exclude from payment under the statutory program any claim which is reimbursable under the high-option policy whether or not the individual carries this coverage. This would of course require that we hold a special open period to permit those employees overseas who have either no coverage or low-option coverage to obtain high-option coverage.

2. Early Retirement Bill

Mr. Raddock (CSC) has advised us that he has received a call from Mr. Darden (Senate Armed Services Committee) concerning our cost estimates. Mr. Darden inquired whether our approach was valid and whether the factor of 13.83% of payroll costs as a total retirement cost rate was accurate. Mr. Raddock advised Mr. Darden that the Commission's usual approach to cost estimates was to compute gross costs plus interest but that there was no legislative precedent for our "increased pay-out cost" approach. Regarding the 13.83% factor, Mr. Raddock said that it was correct when it was used but that CSC has more recently recomputed this factor and concluded that the costs are fully met by the 13% representing employee and Agency contributions without the 0.83% excess.

Mr. Darden inquired whether the comparable Foreign Service retirement cost factor used in our estimates was correct and was referred by Mr. Raddock to our source at the Treasury Department.

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Mr. Riddock stated that Mr. Darden assured him that he was not challenging our cost estimates but wanted to be sure that the Committee had the best possible advice on this point.

We have reported this call to [REDACTED] and agreed to reconfirm the percent-of-payroll factor on a then-current basis with both CSC and Treasury when our Senate hearings are scheduled.

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**3. Monitoring Fitness Reports**

Annual Reports for GS-12's and 13's are due in the Office of Personnel by 31 January. These grades include a number of supervisory jobs. However, in the considerable number of reports received to date, comment as to the individual's performance of his supervisory duties and cost consciousness is conspicuously absent. We are returning these reports at the Directorate level to request the inclusion of appropriate comments or of a statement to the effect that no supervisory duties are involved. Our reason for returning these at a high point in the chain of command is to ensure that appropriate instructions concerning the requirement for such evaluations are given to both rating and reviewing officials.

**4. Applicability of Sick Pay Exclusion to Disability Annuities**

Under present rules, a disability annuitant under Civil Service retirement can claim up to \$100 per week of his annuity as "sick pay" until the time he reaches age 60 -- construed to be retirement age for the Civil Service system on the basis that it is the earliest age for optional retirement without a reduction in annuity. According to newspaper accounts, a recent court decision concerning a disabled Dupont employee held that the exclusion should apply to "normal" (i.e., average) retirement age rather than the age of initial eligibility. If this interpretation is to be applied by IRS to Civil Service disability annuitants, it might mean that they could claim the sick pay exclusion to age 62 plus.

We are attempting to get an authoritative answer to this question. At present, the Civil Service Commission has a standard instruction advising employees age 60 and over who qualify for either optional retirement or disability retirement to apply for optional retirement. Their arguments are that there are no differences in benefits and that the optional retirement can be processed more quickly. If, however, a new ruling is to give an advantage to the disability annuitant to age 62 or slightly over, we want to be sure to advise our retirees who have the choice of disability or of optional retirement to elect disability retirement.

We will report further information on this question as soon as it is obtained.

**5. DATA Inquiries**

The headquarters "open period" will close 17 January. Some 677 enrollments, about half the number of employees who indicated interest on the initial survey, have been received. There has not been time yet to receive more than a few enrollments from the field.

**SECRET**

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**6. Clerical Details to the White House**

a. [REDACTED] GS-5, Secretary-Steno, assigned IAS.

[REDACTED] name has been supplied to the Civil Service Commission for a roster of "stand-by" secretaries for detail to the White House. There is no indication as yet regarding when or for how long she might be called for White House duty.

b. [REDACTED] was detailed to the Special Group during [REDACTED] assignment there but was assigned to work with another staff officer. ([REDACTED] secretary

was from the Department of Defense and recently transferred to CIA for assignment to the NIPE Staff.) Pending personnel changes in the Special Group, [REDACTED] has recently been assisting Mike Forrestal (State Department). We had anticipated her assignment to [REDACTED] when he assumed his duties there. However, Mr. Forrestal made a personal request to Mr. McCone to permit [REDACTED] to remain with him and [REDACTED] advised us on 10 January that Mr. McCone had acceded to this request. Although we had tentatively explored the possibility of arranging for a detailee from some other agency to work for [REDACTED] [REDACTED] indicated that this would be inappropriate because of the delicate and sensitive nature of [REDACTED] duties.

[REDACTED] has advised us that [REDACTED] (from the [REDACTED] Staff) who was temporarily detailed to assist [REDACTED] during his assignment to the Special Group will remain there with [REDACTED]

[REDACTED] will be assigned to the DD/P Development Complement. Their assignments to the Special Group are non-reimbursable. [REDACTED] has indicated that this arrangement is acceptable to him.

### 8. Post Belt Consideration

9. Mild-Curves Common

9a [REDACTED] will serve on a panel scheduled for 23 January to present a discussion on the handling of special personnel problem cases.

## 11. Blood Disorders

**Distribution:**

**Samuel D. Nichols**  
**Director of Personnel**

OD/Pers/ [REDACTED] (13 January 1964)